

# UKSA Votes to Keep the AGM Show of Hands!

Many private shareholders attending AGMs will have noted that an increased number of Chairmen have been imposing poll voting in place of show of hands voting. Private shareholders have not been consulted about this change and as the bulk of those attending these meetings are private shareholders the change is inequitable.

The UKSA Board of Directors consider that most private shareholders want to retain show of hands voting. Accordingly this issue has been raised at a number of company AGMs (e.g. Hilton, BA and Invensys). Behind the scenes representation has also been made to Whitbread and Marks & Spencer. UKSA members should continue to raise this issue publicly so that companies are aware of the views of private shareholders.

The Chairman arrives at an AGM with the result of the proxy poll in his back pocket. Most of the votes will be in the region of 98% in favour. Some controversial resolutions are likely to have been aired in public prior to the meeting. Where a resolution has been lost, this is likely to be announced at the commencement of the meeting (e.g. GlaxoSmithKline last year, and a few years ago, AIM-listed Landround). Any examination will clearly show that the addition of the votes from those present at a meeting may barely shift the second decimal place. A move from 98.02% to 98.03% is clearly insignificant.

## **So why Keep the Show of Hands Vote?**

Toby Keynes provides an eloquent answer: 'Show of hands voting is a fundamental part of the Annual General Meeting. Although individual company members have the opportunity to raise concerns at the meeting, the show of hands vote is the only opportunity for those who have not spoken to express a view, and for the collective view of all those members present to be expressed and objectively recorded.'

Most personal shareholders are well aware that when contentious issues arise their own votes are likely to be swamped by those of institutional investors - who have traditionally tended to support management resolutions almost regardless of the quality of the management or the resolutions. Although happily this is less true now than in the past.

The show of hands vote therefore gives an imperfect but vital and unique opportunity for those shareholders who are able to attend the AGM to provide a collective expression of their concerns. If you remove the show-of-hands vote, you remove one of the major reasons for personal shareholders to attend the AGM.

In most well-run and reputable companies, one would normally expect that the show of hands vote would run smoothly, with all resolutions being approved by a comfortable margin. There would be little advantage in suppressing show of hands voting.

### **Pressure Groups are Easy to Spot**

There will, of course, be instances where pressure groups acquire shareholdings in order to raise ethical or political issues at the AGM, and sometimes to disrupt the meeting. But this is usually very evident to all those present, and the show of hands vote shows very clearly that these groups are a small minority of those present.

Even in those very exceptional cases where a pressure group is in the majority of those attending, it should be evident that the attendance and the show of hands votes are not representative of ordinary members and can be discounted by the board. Ironically, if the show of hands vote is removed then the meeting will be more easily dominated by unrepresentative elements, precisely because ordinary shareholders have less incentive to attend. The proxy vote is also vital to the good governance of a company, but it serves a different purpose and should be taken after the show of hands vote:

- the proxy vote is the expression of the collective view of the entire voting company membership, and should govern the company's affairs;

- the show of hands vote is the expression of the collective view of those present at the AGM. Even though the result is overridden by the proxy vote — and is therefore in effect advisory — without it the physical meeting has little purpose.’

### **An Electronic Gadget**

A few AGMs have large attendances (e.g. BP and Marks & Spencer); others have disruptive elements, which include calls for a poll from the floor on all resolutions. This call for a poll may only need the support of another three members to force the Chairman’s hand. These companies are likely to look for alternatives to the show of hands vote and recently an electronic voting gadget has been introduced.

We considered this at our last board meeting and concluded that this is acceptable provided three records are displayed in the following order:

1. The votes cast per member at the meeting
2. The poll of members present
3. The poll of all the members of the company that have voted

In conclusion one would expect that most companies would retain the show of hands vote because it is simple, quick, transparent and forms part of the dialogue between the board and those present at the meeting. The poll result in the Chairman’s back pocket is sacrosanct and will always carry the day. For example, at last year’s Tate & Lyle AGM the board were defeated by a show of hands on a resolution and then won on the poll votes. However, a message to the board had been given which would otherwise have been missed.

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